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ABSTRACT

The results of two studies are detailed in this issue of "News Research Bulletin." In the study concerned with the difficulty of comparing the finances of newspapers, financial data from the following two groups of newspapers were analyzed: 67 weekly newspapers with circulations ranging from 2,500 to 4,500 and 28 dailies with circulations ranging from 4,000 to 6,000. Results showed that the only standardized figure acceptable for comparing newspapers of different size and publication frequency is that of per-subscriber net income; none of the other tested standardized measurements of income or expense is acceptable as a comparison figure. For the study on city editors' knowledge about their audiences, a questionnaire was sent to the city editors of 375 dailies. Responses were received from 35% of the editors. Analysis showed that more than 90% of the responding editors felt that additional knowledge about readers would help their effectiveness as editors. Quesionnaire analysis also showed that the city editor most aware of reader characteristics worked on a paper of more than 50,000 circulation, was 35 years old or younger, had been city editor three years or less, and had a college degree in journalism. (JM)

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Reports On

Standardized Economic Figures
For Small Newspapers

and

City Editors' Knowledge
About Their Audience

This issue of the *News Research Bulletin* reports on two studies.

The first study focuses on the problem of non-standardized figures for use in economic analysis of the newspaper business. Funds for this project were provided by California State University, Long Beach Foundation. The original research was done under a grant from Sun Chemical Corp. of New York City and the Communications Research Center at the S.I. Newhouse School of Public Communications, Syracuse University. Authors of the study are Gerald C. Stone, assistant professor of journalism at CSULB, and Valerie Kelly, a member of his independent studies research course.

The second study deals with the problem of city editors' lack of knowledge of the characteristics of their audience.

Author Steven Weinberg is on the staff of the Wall Street Letter in Washington, D.C.

Standardized Economic Figures for Small Newspapers

By Gerald C. Stone
and Valerie Kelly

One of the basic problems blocking newspaper economic analysis is the difficulty of comparing the finances of newspapers. There is a continuing difficulty in trying to compare newspapers of different circulation ranges or different publication frequencies. It has been exceedingly difficult for smaller newspapers to compare themselves with larger newspapers, even those with the same publication frequency. Raw financial figures are available and can

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be used when the comparison is between two similar newspapers, but are misleading when the comparison is between newspapers with differing sizes or frequencies.

But other industries—from the hardware store to the nation's steel corporations—have been able to standardize figures such as income, expenses and profit. Size of the firm and volume of sales is considered simply a continuum, and even the mom-and-pop grocery store is able to compare its annual operation with that of the local chain grocery outlet.

Raw figures cannot be used when comparing differing newspapers because the figures are not equalized. What is needed are universal figures found in all newspapers, of any circulation and frequency, to use in comparisons.

Some studies include statistics of financial data which are supposed to be used in comparing newspapers, but these studies have not focused on the problems of standardizing figures for use by the whole newspaper business. In a manual by the Institute of Newspaper Controllers and Finance Officers (INCFO), a list of 28 separate figures, ratios and statistics is offered which could be useful in comparing similar newspapers or the progress of one newspaper over time.[1] There are, however, no suggestions regarding the conversion and application of any of these statistics for use in comparing different types of newspapers.

The Inland Daily Press Association's Annual Cost and Revenue Study compiles as many as eight separate figures by which publishers can compare their newspaper to (again) other similar newspapers.[2] The study gives figures but indicates no one figure is more or less useful to the publisher than another.

Do standardized economic figures exist that can guide the individual publisher in assessing his newspaper's finances by comparing his income, expenses and profit against the entire newspaper business?

To identify standardized figures that can be used to accurately compare newspapers of differing sizes and publication frequencies, two groups of newspapers were selected from a 1975 national mail survey of community newspapers.[3] In that survey, 254 publishers

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[1] Institute of Newspaper Controllers and Finance Officers *Profit Planning for Newspapers*, (Fair Haven, New Jersey), 1966, pp. 10-11.

[2] *Inland Daily Newspaper Cost and Revenue Study*, (Inland Daily Press Association), 1973, pp. 3-23.

[3] Stone, Gerald C., *Management of Resources in Community-Sized Newspapers*, doctoral dissertation, (Syracuse Unversity; Syracuse, New York), 1975.

of randomly selected newspapers under 8000 circulation provided financial data from their past year's operation. The sub-samples selected were: (1) a group of 67 weekly newspapers with circulations ranging from 2500 to 4500; and (2) a group of 28 dailies with circulations ranging from 4000 to 6000.

Optimal Measures

To arrive at optimal standardized financial measures, four different types of financial measures were tested:

(1) raw figures from the publisher's annual financial statement including income, expense and net profit;
(2) return on gross income;
(3) per-page income, expense and profit;
(4) per-subscriber income, expense and profit.

The raw financial data in Table 1 show that annual figures for dailies are about twice as large as those for weeklies. A return-on-gross income (net income divided by gross income) also is given, but this attempt at standardization reverses the findings with the weekly return figure significantly higher than the daily return figure.

In the second set of averages, the raw figures for each newspaper have been divided by that newspaper's annual pages published, providing per-page data. Here the weekly figures are about twice as large as those for the dailies.

Table 1
A Comparison of Averages (Means) for Weekly and Small Circulation Daily Newspapers

	Raw Income	Raw Expenses	Raw Net Income	Percent Return On Gross Income
Weeklies	$199,194	$168,686	$36,200	21.8%
Dailies	455,842	391,210	64,632	13.9
	Per-Page Income	Per-Page Expenses	Per-Page Net Income	
Weeklies	$231	$190	$48	
Dailies	116	101	16	
	Per-Subscriber Income	Per-Subscriber Expense	Per-Subscriber Net Income	
Weeklies	$57.08	$48.18	$10.53	
Dailies	89.07	77.10	11.97	

The final set of figures is obtained by dividing the annual raw financial statement figures for each newspaper by that newspaper's circulation, providing per-subscriber data. Here the dailies' per-subscriber income and per-subscriber expenses are substantially higher than those for weeklies. But the mean net income per-subscriber is close for the two groups. In fact, the difference in mean per-subscriber net income is, statistically, only a chance difference.

Based on these sets of figures for the two groups of newspapers, the only standardized figure acceptable for comparing newspapers of different size and publication frequency is that of per-subscriber net income. None of the other tested standardized measurements of income or expense are acceptable comparison figures.

City Editors' Knowledge About Their Audience

By Steven Weinberg

Many journalists have been told "Write the story so the reader can understand it." Some, probably most, nodded and did their best to obey the command. To a few others, though, the command has seemed extraordinary because the commander (usually an editor) had no better idea than the reporter himself who the readers were.

This study details that lack of knowledge among many city editors about the most basic characteristics of their audience. While only a minority had precise knowledge of the seven categories examined, those city editors with high knowledge were most likely to be under age 35, hold a college degree in journalism and work on larger newspapers.

The focus was on city editors because on most daily newspapers they assign local stories, presumably, at least partly on the basis of what readers will read. A national sample of 375 dailies was drawn, and a questionnaire was sent to the city editor of each newspaper. The sample was weighted so that newspapers of more than 50,000 circulation had a better chance of being selected than smaller newspapers. This was done because although larger newspapers make up only a small percentage of all dailies, they have more than half the circulation of all newspapers.

The questionnaire, carefully tested in personal interviews with 30 editors before it was mailed, was sent in April 1974. A follow-up mailing was sent to non-respondents in May. The overall response

rate was 35%, lower than desired, but one which allowed for the drawing of at least tentative conclusions.

Before looking at the findings, it is necessary to define some terms. The most important term is "knowledge" of readers. This was defined as information based on a professionally conducted readership survey conducted for an individual newspaper, or as information based on census data for the newspaper's approximate circulation area. U.S. census data of course cannot be matched precisely with a newspaper's readership, but the author thought that defining "knowledge" as survey results only would be unrealistic. Many newspapers simply do not have the resources for a readership survey. But any city editor has access to census data at little or no cost. It was apparent that if a respondent could answer questions about his readers with information based on census data, he had made an effort to learn about his readers.

As opposed to "knowledge," the study defined "intuition" as the gathering of information by other than scientific means, and "casual observation" as the use of non-scientific, occasional perceptions of reader characteristics.

The author hypothesized that city editors rely on intuition or casual observation when choosing local news. The questionnaire contained items probing editors' knowledge of readers in seven categories: education, age, income, occupation, gender, race and story preferences. The categories were not chosen capriciously. They have been shown in previous research to affect what readers read. (See citations under "Readership" in the Cumulative Index to Volumes 1-7 of *News Research for Better Newspapers*, published by the ANPA Foundation, October 1975.)

Findings

In only one of the seven categories about readers did a majority of respondents claim to have knowledge based on survey or census data. That category was reader education, there 50% of the editors said they had precise knowledge. In the other categories, the percentages were:

Age . . . 37%
Income . . . 37%
Occupation (specifically, percentage of housewives) . . . 12%
Gender . . . 25%
Race (specifically, percentage of blacks) . . . 35%
Story preferences . . . 23%

Most of the editors either guessed openly in each category, or did not even attempt a guess. But the study was designed to find

out more—which editors were most likely to have knowledge. Analysis indicated that the most reliable predictor of knowledge was the newspaper's circulation size. In six of the seven categories about readers, editors from newspapers of more than 50,000 circulation had significantly more knowledge than editors from newspapers of less than 50,000 circulation. (Statistical tests showed that these differences were large enough that the odds against them occurring by chance were at least 19 to 1.)

This was not a straight cause-and-effect situation. More sophisticated statistical analysis (partial correlations) showed that other characteristics of the respondents accounted for some of the relationship between circulation and knowledge of readers. Those other characteristics of editors—age and education—tended not to be statistically significant in themselves, but when looked at in tandem with circulation, they had some effect.

Despite that cautionary note, circulation appears to be a major factor in the equation. To get a better answer, however, the research isolated 24 questionnaires that were returned by respondents who had knowledge of readers in at least five of the seven categories. An analysis of those questionnaires indicated that the city editor most likely to have extensive, scientifically sound knowledge about reader characteristics and story preferences:

- —Worked on a newspaper of more than 50,000 circulation.
- —Was 35 years of age or younger.
- —Had been city editor of his newspaper three years or less.
- —Had a college degree.
- —Had that degree in journalism.

One by-product of the study was information about city editors themselves. The 131 respondents had an average age of 40; had spent an average of 13 years on their current newspapers, six of those years as city editor; had a bachelor's degree in journalism, and had not taken a formal course in survey research methods.

In no way was this study definitive, mainly because of the relatively low response rate. But despite the paucity of precise knowledge, the study did find more than 90% of the editors answering "yes" to the question, "Do you think having additional information about your readers would make you an even more effective editor?"